

Testimony of  
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Before the Tennessee Valley Authority  
Board of Directors

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My name is Harold DePriest. I am the President and CEO of EPB of Chattanooga. I am a past Chair of TVPPA, current Chair of the Tennessee Broadband Communications Council, and a member of the board of TMEPA. EPB is the third largest distributor of TVA power in terms of electric load, and the fourth in terms of number of customers.

In addressing you today, I will discuss issues upon which the larger distributors have differing opinions and beliefs, but the opinions I will state reflect my own thoughts and the position of EPB of Chattanooga.

The issue of today's hearing is transmission access, which should be placed in its proper perspective. The Tennessee Valley is currently in a unique position regarding its supply of electrical energy, served exclusively by the Tennessee Valley Authority, with purchase of power from other sources prohibited by both exclusive contracts and federal law. While we might debate the wisdom of either maintaining or breaching this legal "fence" around the Valley, a more pregnant question is simply this – Can we expect our current situation to continue? I, for one, think not. And if we do expect to see the federal fence removed at some time in the future, would it not be better to bring it down gradually, in a controlled manner rather than wait for legislative action that we will have to adapt to, perhaps in a precipitate manner? For several years TVPPA and TVA have been discussing this issue. The distributor position, as expressed through TVPPA board action is based upon several simple principals:

- ▶ It is possible and preferable to deal with this issue contractually rather than legislatively.
- ▶ Access to the TVA transmission system and the ability to purchase some power from sources other than TVA are key to gradual removal of the fence.
- ▶ By controlling the amount of power purchased elsewhere, both TVA and the distributors have time to respond, and the ability to maintain TVA's financial integrity.
- ▶ Such actions must be done in a way that meets the needs of all distributors, including those who have given notice, those who may give notice, and those who have no wish to give notice.

- ▶ While TVPPA supports the principal of federal legislation to modify the fence to allow the sale of surplus power to counterparties beyond the 14 identified in the 1959 legislation as distributors reduce purchases from TVA, we do not feel this to be a prerequisite to a contractual solution.

While legislative action on the federal fence placed around the Valley is, in my opinion inevitable, contractual arrangements derived through a process of negotiation and mutual understanding can eliminate much of the undesirable side effects that might accompany such legislation. My concern is that we in the Valley may simply not be capable of shaping such federal lawmaking to best suit the needs of the Valley.

Finally, I offer one additional thought. Most of the people in this room are life long utility people. We understand that utilities are inherent monopolies, and that in reality our customers have nowhere else to go for our product. That is a fact of utility life that we all have to deal with. But when we begin to depend upon the fact that our customers are captive, it becomes a corrosive element in any of our organizations, I believe in the TVA Act, and the mission of TVA in the Valley, and I strongly feel that some degree of limited and controlled competitive pressure will be a good and healthy thing.